

Message Text

LIMITED OFFICIAL USE

PAGE 01 SAN JO 01083 031533Z

17

ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 L-03 H-02 NSC-05 SS-15

STR-04 CEA-01 PA-01 PRS-01 AGR-05 /090 W

----- 106142

R 031453Z MAR 76

FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC 3064

INFO AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY PANAMA

AMEMBASSY SAN SALVADOR

AMEMBASSY TEGUCIGALPA

LIMITED OFFICIAL USE SAN JOSE 1083

E.O. 11652: N/A

TAGS: EFIN, CS

SUBJECT: CENTRAL BANK CHIEF'S COMMENTS ON BALANCE
OF PAYMENTS AND THE BUDGET

GUATEMALA ALSO FOR ROCAP

1. CENTRAL BANK PRESIDENT BERNAL JIMENEZ IS PLEASED
WITH THE PROGRESS THAT COSTA RICA HAS MADE TOWARD
RESOLVING ITS BALANCE OF PAYMENTS PROBLEM BUT HE CON-
SIDERS THAT CONTINUED EFFORTS ARE NECESSARY TO REDUCE
THE TRADE DEFICIT TO A MORE MANAGEABLE LEVEL. ALTHOUGH
COSTA RICA HAS AND EXPECTS NO PROBLEMS IN BORROWING
SUFFICIENT FUNDS TO COVER ITS DEFICIT, HE BELIEVES THAT
IN TERMS OF FOREIGN DEBT BURDEN AND NECESSARY AMORTIZA-
TION PAYMENTS THE DEFICIT SHOULD BE REDUCED TO THE
\$100-150 MILLION RANGE (VERSUS AN ESTIMATED \$220 MIL-
LION IN 1974). THIS WAS THE PRINCIPAL COMMENT OF
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 SAN JO 01083 031533Z

INTEREST MADE BY JIMENEZ IN A DISCUSSION WITH EMBOFFS.

2. JIMENEZ EXPLAINED WHY HE DECIDED TO ADOPT A SYSTEM OF IMPORT SURCHARGES ON NON-ESSENTIAL GOODS TO REDUCE THE TRADE DEFICIT IN PREFERENCE TO OTHER POSSIBLE ALTERNATIVES SUCH AS DEVALUATION OR PRIOR DEPOSIT REQUIREMENTS. THE SYSTEM CHOSEN PERMITTED HIM TO RAISE THE PRICE OF CERTAIN ARTICLES THAT WERE EITHER LUXURY PRODUCTS OR THAT HAD OR COULD HAVE ACCEPTABLE LOCAL SUBSTITUTES, WHEREAS THE OTHER ALTERNATIVES WOULD HAVE INCREASED LOCAL PRODUCTION COSTS AND RESULTED IN AN ACROSS-THE-BOARD INCREASE IN PRICES THAT WOULD HAVE ADVERSELY AFFECTED THE LIVING STANDARDS OF LOWER PAID WORKERS. HE BELIEVES THAT THE SYSTEM WILL BE VALUABLE NOT ONLY IN REDUCING IMPORTS BUT ALSO IN SHIFTING CONSUMPTION PATTERNS TOWARD LOCALLY PRODUCED ITEMS.

3. LOOKING AT THE OTHER SIDE OF THE BALANCE OF PAYMENTS, JIMENEZ SAW THE BEST PROSPECTS FOR EXPORT EXPANSION IN THE AGRICULTURAL SECTOR. HE SAID THAT COSTA RICA IS A COUNTRY THAT SHOULD NOT ONLY BE FEEDING ITSELF (AND IT IS APPROACHING THE CAPACITY TO DO THIS) BUT SHOULD BE AN IMPORTANT FOOD EXPORTER. IT HAS THE FERTILE SOIL AND THE TECHNICAL CAPACITY BUT ONLY CERTAIN CROPS SUCH AS BANANAS AND COFFEE (IN WHICH COSTA RICA HAS THE WORLD'S HIGHEST PRODUCTIVITY) ARE PRODUCED IN A MODERN SCIENTIFIC MANNER. MANY OTHER AGRICULTURAL CROPS SUCH AS CORN AND SORGHUMS, AND ESPECIALLY FRUITS ARE USING INEFFICIENT TRADITIONAL METHODS WITHOUT BENEFIT OF EFFICIENT TECHNOLOGY, MARKETING ARRANGEMENTS, AND SCIENTIFIC MANAGEMENT. JIMENEZ BELIEVES THAT IN TROPICAL FRUITS ESPECIALLY THERE IS SCOPE FOR COSTA RICA TO GREATLY INCREASE ITS EXPORTS. THE EXPORT INCENTIVE PROGRAM (CIEX) SHOULD BE HELPFUL IN THIS REGARD.

4. OTHER POINTS OF INTEREST MENTIONED BY JIMENEZ WERE THE FOLLOWING:

A) THE GOVERNMENT WILL PROBABLY NOT GO FORWARD WITH A TRAVEL RESTRICTION PROGRAM.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 SAN JO 01083 031533Z

B) THE "TEMPORARY" IMPORT SURCHARGES MAY OR MAY NOT BE TEMPORARY. HE FIRST SAID THAT THEY COULD END WITHIN 12 TO 18 MONTHS, BUT THEN WHEN ASKED HOW THE EXPORT AND TOURISM INCENTIVES WOULD BE FINANCED, HE REPLIED THAT IN COSTA RICA IT IS SOMETIMES SAID THAT NOTHING IS MORE PERMANENT THAN TEMPORARY TAXES.

C) THE GOVERNMENT IS WORKING VERY HARD TO HOLD DOWN

EXPENDITURES AND HE CONSIDERS THIS AN APPROPRIATE POLICY
OBJECTIVE AT THIS TIME. IN RESPONSE TO A QUESTION, HOW-
EVER, HE CONFIRMED THAT THIS DID NOT IMPLY THAT THERE
WOULD BE NO "EXTRAORDINARY BUDGETS" THIS YEAR. THERE
WILL BE, HE SAID, BUT THE GOVERNMENT WILL TRY TO
KEEP THEM AS SMALL AS POSSIBLE.
TODMAN

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: GOVERNMENT BUDGET, CENTRAL BANK, BALANCE OF PAYMENTS, ECONOMIC PROGRAMS, ECONOMIC TRENDS
Control Number: n/a
Copy: SINGLE
Draft Date: 03 MAR 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976SANJO01083
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760082-0164
From: SAN JOSE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760399/aaaadjjt.tel
Line Count: 122
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags:
Review Date: 12 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <12 MAY 2004 by ifshinsr>; APPROVED <08 JUL 2004 by morefirh>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CENTRAL BANK CHIEF'S COMMENTS ON BALANCE OF PAYMENTS AND THE BUDGET
TAGS: EFIN, ECON, ETRD, CS, (JIMENEZ, BERNAL)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006